



COMMONWEALTH of VIRGINIA

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TO: Fiscal Officers of All State Agencies and Institutions

FROM: Ron Necessary, Senior Director
Accounting and Internal Control Compliance Oversight

SUBJECT: Cost Recovery Audit - Extension

The Department of Accounts has authorized an extension for the contract with PRG-Schultz USA, Inc. to provide cost recovery audit services required by the § 2.2-1822.1 of the *Code of Virginia*. Agencies and institutions of the Commonwealth may expect to be contacted once again by the auditors as they will be examining fiscal year 2005 and 2006 expenditures.

At the same time, the auditors will also be in the process of completing the audit of expenditures for fiscal years 2002, 2003, and 2004. While the field work has been completed for this audit period the auditors are now focused on collecting outstanding claims from vendors. Through the end of last month the Commonwealth has received over \$450,000 in overpayments from vendors and another \$400,000 is in the collection process.

The Department of Accounts will soon make a distribution of the overpayments collected so far through a DOA journal entry. These funds, except for general fund monies, will be returned to the agency or institution that originated the erroneous payment, net of the auditor's fee. The agency will be responsible for the appropriate disposition of federal monies in accordance with grant rules or guidance from the federal cognizant agency.

Once again, each agency and institution is asked to retain expenditure documents, on-site if possible, and make them available to the auditors. The auditors will need to examine paper or digitized documents for some procurements, contracts, and vendor payments for fiscal years 2005 through 2006. **Therefore, please direct your staff to postpone sending (or purging if digitized) these records to long-term storage until the audit is complete.**

If you have questions about this audit program, please contact Mark Murray (mark.murray@doa.virginia.gov or 804-225-3325), who is administering the statewide contract for cost recovery audit services. I thank you in advance for your assistance and cooperation.

RDN/mjm

cc: Lewis R. McCabe, Assistant Comptroller